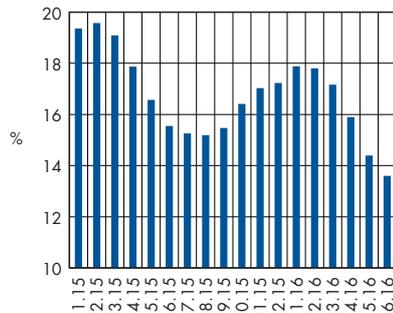


## Calm Week on Domestic Market

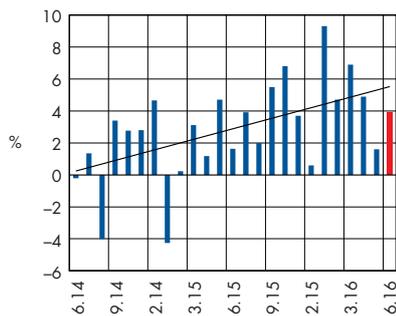
### Registered unemployment rate (%)



Sources: CBS, Economic RESEARCH/RBA

The week behind us was lean in terms of relevant macroeconomic data; just the first CBS's estimates on average wages and registered unemployment rate were published on Friday. In line with our expectations, negative annual inflation rates largely caused by imported price pressures from the world's commodities market (but also spurred by the administrative reduction in the price of gas) resulted in wages growth rates speeding up. More precisely, average **gross and net wages** in May reported real growth rates at 4.4%yoy and 3.9%yoy respectively. The trend of positive rates on annual level is expected to continue over the upcoming months as well. However, in contrast to 2015, this year will show a relatively higher annual growth of average gross than net wages, which is partially a consequence of the base period effect. Namely, growth of the average net wage registered last year was stimulated by changes in income taxation but the effect disappeared at the beginning of 2016.

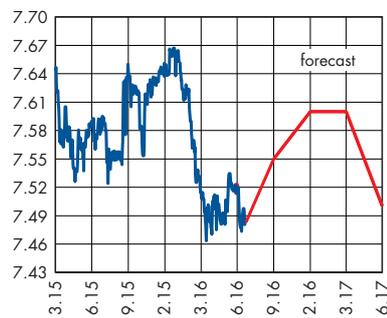
### Industrial production, annual changes



Sources: CBS, Economic RESEARCH/RBA

As the labour market conditions are getting better, strongly influenced by probably record high tourist season, the registered **unemployment rate** for June declined to 13.6% (from 14.4% in May). However, coming closer to the end of the year improved development in employment, aided by rising demand for seasonal workers in tourism, is expected to vanish. Nevertheless, positive risks over the short-term largely come from expectations of one more excellent tourist season that could affect the whole economy positively. Likewise, increased tourist arrivals brought a higher FCY inflow and thus encouraged the **EUR/HRK** to move down to 7.48 kuna per euro. The usual HRK appreciation tendency during the summer months could be additionally supported by slightly more favourable fiscal risks, the inflow of euros from foreign sources (from borrowing and/or EU funds) and positive net foreign position of banks. On the other hand, the FCY inflow from tourism is expected to be mitigated by the steady demand for euros that arises also with the growth of imports. In the week ahead we see the EUR/HRK trading within the range 7.47–7.50 kuna per euro.

### EUR/HRK, bid



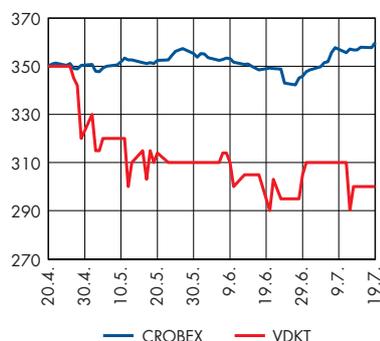
Sources: Bloomberg, Economic RESEARCH/RBA

After a calm week behind us, relevant economic data will be in short supply even in the week ahead; just the **industrial production** for June is set to be released on Friday. Due to the expected recovery of foreign demand, positive trends should continue (we reckon the annual growth at 3.9%yoy). Further industrial growth should also bring a positive contribution to the GDP outcome in Q2. Regarding the local **bond market**, subdued summer trading is expected to continue with the investors' focus retained on the new HRK government bond and HRK bond of ZG Holding as well. According to the rating calendar, the Croatia's **rating assessment by Fitch** is scheduled for the very end of the week. After the recently affirmed credit rating by S&P we expect Fitch will also leave it unchanged at the level of two notches below investment grade. Namely, despite the positive macroeconomic trends continuing, the fact is that negative risks arise from political uncertainties, which will remain one of the main factors for sustainable economic recovery and growth thus ultimately determining the cost of financing for all segments of the economy.

Economic analyst: Tomislava Ujević (+385 61 74 606), Raiffeisenbank Austria d.d., Zagreb

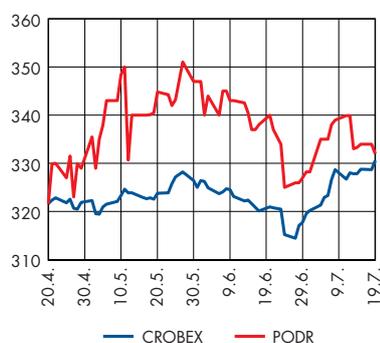
## Reporting season in focus

### Viadukt (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Podravka (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Trading comment

Equity indices CROBEX and CROBEX10 last week posted wow advance, with shares of Atlantska Plovidba posting the strongest growth, while the biggest decline was recorded by shares of AD Plastik. Among sector indices, the transportation and tourism sectors' shares were the best performers, while F&B companies posted only a minor growth. Regional indices closed the week mainly in green. The regular shares' turnovers were a bit higher, at HRK 5.8 mn daily on average, whereas the highest turnover had **Valamar Riviera**.

### Company news

**Viadukt** informed about two new contracts that they signed as a member of consortium. The works on the construction of the bridge Svilaj on the Sava river are worth EUR 22.3 mn with the completion deadline of 730 days. The second contract is related to construction of the harbor back warehouse Škrljevo and is worth HRK 218.9 mn (completion deadline in 14.5 months). In H1 2016 **Podravka's** top line went up by 26.2% (to HRK 1,988.5 mn), mainly thanks to acquisition of Žito (consolidated since October 2015). On pro-forma basis, SBA Food posted a 1.4% yoy growth, while SBA Pharma was flat at +0.4% yoy. As per markets, Russia, CIS and Baltic performed the best. Profit margins were flat yoy on a pro-forma basis and the bottom line amounted to HRK 97.3 mn. **Ledo** proposed the dividend of HRK 425.01 per share to be paid out to shareholders registered on September 6th, i. e. the ex-dividend day would be September 5.

### In this week

In this week on ZSE we expect investors' focus on H1 2016 financial reports and hence, somewhat higher turnovers.

Financial analyst Ana Turudić

### Market performance

Index	1w %	ytd %	Value on* 22.7.2016
ATX (AT)	0.54	-6.92	2,231
BELEX15 (RS)	-0.98	-5.24	610
BETI (RO)	0.33	-5.26	6,636
BUX (HU)	2.97	16.51	27,869
CROBEX (HR)	1.48	3.56	1,750
PX (CZ)	3.50	-6.54	894
MICEX (RU)	-0.61	9.51	1,929
SBITOP (SI)	0.35	1.03	703
SOFIX (BG)	0.92	-1.44	454
SASX10 (BH)	1.02	-3.44	675
NTX (SEE,CE,EE)	2.33	-4.71	914
WIG30 (PL)	2.37	-2.20	2,030

\* as at 16:30 CET. Source: Bloomberg, Economic RESEARCH/RBA

### Top/Flop – CROBEX index

Share	1w %	Price on* 22.7.2016	Share	1w %	Price on* 22.7.2016
Atlantska Plov.	11.43	195	Končar El	1.50	675
Arenaturist	11.09	400	Zagrebačka Banka	1.40	41
Ingra	6.49	2	Kraš	1.02	495
Luka Rijeka	5.60	49	Belje	0.23	22
Maistra	4.30	240	HT	0.07	143
OT-Optima T.	3.09	2	Ina	0.00	3,000
Valamar Riviera	2.95	25	Varteks	0.00	15
Adris Grupa (P)	2.86	395	Ericsson NT	-0.20	1,004
Đuro Đaković H.	2.11	42	Atlantic Grupa	-0.85	818
Tankerska NG	1.80	73	Dalekovod	-3.12	13
Podravka	1.80	340	AD Plastik	-4.57	115
Ledo	1.53	10,101			

\* as at 16:30 CET. Source: ZSE, Economic RESEARCH/RBA

# Raiffeisen RESEARCH

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### Abbreviations

bp – basis points	GDP – Gross Domestic Product	kn, HRK – Kuna
CERP – Restructuring and Sale Center	HBOR – Croatian Bank for Reconstruction and Development	MF – Ministry of Finance
DZS – Croatian Bureau of Statistics	HNB – Croatian National Bank	RBA – Raiffeisenbank Austria d.d.
ECB – European Central Bank	IMF – International Monetary Fund	USD – Dollar
EUR – Euro		
FED – Federal Reserve System		

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"Reduce": expected negative return up to -10% over next 12 months.

"Sell": for stock with expected negative return by more than -10% u over next 12 months.

Target prices are based on calculated fair value which is derived by applying relative valuation tools (peer group analysis) or discounted cash flow DCF method. Detailed information on specific valuation methods applied is available at: <https://www.rcb.at/en/the-bank/business-segments/cr/concept-and-methods/>

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% all IB services	0%	29%	0%	0%	0%	0%

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